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# Message Text

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64
ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 TRSE-00 L-03 CIAE-00 DODE-00

INR-07 NSAE-00 PA-01 USIA-06 PRS-01 SP-02 PM-04

NSC-05 SS-15 OMB-01 AGR-05 SSO-00 NSCE-00 INRE-00

/070 R

DRAFTED BY EB/IFD/OMA:MMINNIES:DLS/TREAS:RGOODMAN
APPROVED BY EB/IFD:PHBOEKER
EUR:JARMITAGE
L/EB:SBOND
EUR/EE:DMILLER/NANDREWS
TREAS:DWOLKOW
TREAS:SLYON
TREAS:ERENDALL
EB/IFD/OMA:RJRYAN
---------- 008707
O 162236Z JAN 76
FM SECSTATE WASHDC
TO AMEMBASSY BUDAPEST IMMEDIATE

C O N F I D E N T I A L STATE 011670

E.O. 11652: GDS

TAGS: EFIN

SUBJECT: WORLD WAR I DEBT AND JOHNSON ACT

REF: A) BUDAPEST 4156, B) BUDAPEST 4118

1. DEPT. WELCOMES EMBASSY'S INITIATIVE IN SEEKING TO OPEN DISCUSSIONS THIS MONTH SO THAT THE USG AND THE GOH CAN AGREE ON FULL AND FINAL PAYMENT OF ARREARAGES OF THE WORLD WAR I FLOUR DEBT AND THE SURPLUS PROPERTY DEBT.

DEPT. ASSUMES THE DISCUSSIONS WILL BE TECHNICAL IN NATURE,
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FOCUSING ON METHODS OF CALCULATING DEBT DIFFERENCES IN

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USG - GOH RECORDS, TIMING OF FINAL PAYMENT, ETC.

2. EMBASSY IS CORRECT IN ITS UNDERSTANDING THAT THE JOHNSON ACT WILL NO LONGER APPLY WHEN PERTINENT PAYMENTS ARE MADE AND HUNGARY IS NO LONGER IN DEFAULT ON ITS DEBTS TO THE USG. DEPT. WILL ISSUE A PRESS RELEASE SHOULD THIS OCCUR, AND TREASURY WILL INFORM INQUIRERS THAT HUNGARY IS NOT IN DEFAULT WITHIN THE MEANING OF THE JOHNSON ACT.

3. AS EMBASSY IS AWARE, WE WISH TO AVOID GIVING GOH THE IMPRESSION THAT USG IS READY TO ACCEPT ANYTHING LESS

THAN PAYMENT IN FULL OF THE WORLD WAR I DEBT. EMBASSY IS FULLY AWARE OF THE LEGAL AND POLICY REASONS FOR OUR CONCERNS. ACCORDINGLY, WE HAVE REDRAFTED PROPOSED NOTE (MAKING TECHNICAL CHANGES) AS FOLLOWS:

THE GOVERNMENT OF THE UNITED STATES OF AMERICA HAS DIRECTED THE HONORABLE EUGENE V. MCAULIFFE, AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY IN BUDAPEST, TO CONDUCT NEGOTIATIONS IN THAT CITY WITH RESPONSIBLE AUTHORITIES OF THE HUNGARIAN PEOPLE'S REPUBLIC WITH A VIEW TO RESOLVING TECHNICAL PROBLEMS TO PERMIT PAYMENT IN FULL OF THE 1924 FUNDING OF THE DEBT ARISING FROM THE SALE OF FLOUR BY THE UNITED STATES GRAIN CORPORATION TO HUNGARY, WHICH WAS THE SUBJECT OF EMBASSY NOTE 361, OCTOBER 23, 1975.

IF HUNGARY MAKES PAYMENT IN FULL TO ELIMINATE ARREARAGES ARISING FROM THE AFOREMENTIONED DEBT AND IF HUNGARY MAKES PAYMENT TO ELIMINATE ARREARAGES RESULTING FROM THE SALE OF UNITED STATES SURPLUS PROPERTY PURSUANT TO THE AGREEMENT OF APRIL 25, 1946, THE GOVERNMENT OF THE HUNGARIAN PEOPLE'S REPUBLIC WILL NOT BE IN DEFAULT OF ITS OBLIGATIONS TO THE GOVERNMENT OF THE UNITED STATES OF AMERICA WITHIN THE MEANING OF THE JOHNSON ACT (U.S. PUBLIC LAW 80-772) AND THE JOHNSON ACT WILL NOT APPLY TO IT. THE JOHNSON ACT WILL CONTINUE TO BE INAPPLICABLE TO THE GOVERNMENT OF THE HUNGARIAN PEOPLE'S REPUBLIC SO LONG AS CONFIDENTIAL

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THAT GOVERNMENT IS NOT IN DEFAULT IN PAYMENTS ON OBLIGATIONS DUE TO THE GOVERNMENT OF THE UNITED STATES OF AMERICA. IT IS FURTHER UNDERSTOOD THAT, AS OF THE DATE OF THIS NOTE, THERE ARE NO OTHER OUTSTANDING ARREARAGES OF THE GOVERNMENT OF THEHUNGARIAN PEOPLE'S REPUBLIC TO THE GOVERNMENT OF THE UNITED STATES OF AMERICA SAVE THOSE ARREARAGES REGARDING THE 1924 FUNDING OF THE DEBT ARISING FROM THE SALE OF FLOUR BY THE UNITED STATES GRAIN CORPOR-

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ATION AND THOSE ARREARAGES REGARDING THE SALE OF UNITED STATES SURPLUS PROPERTY PURSUANT TO THE AGREEMENT OF APRIL 25, 1946.
AS SOON AS THE GOVERNMENT OF THE HUNGARIAN PEOPLE'S REPUBLIC HAS MADE PAYMENT TO THE GOVERNMENT OF THE UNITED STATES OF AMERICA TO EFFECT FULL AND COMPLETE SETTLEMENT OF BOTH THESE ARREARAGES, THE DEPARTMENT OF STATE OF THE UNITED STATES GOVERNMENT WILL BE IN A POSITION TO GIVE PROMPT AND OFFICIAL PUBLIC NOTIFICATION THAT THE RESTRICTIVE PROVISIONS OF THE JOHNSON ACT NO

LONGER APPLY TO HUNGARY.

4. WE HAVE DROPPED EMBASSY'S LAST PARAGRAPH IN THE PROPOSED NOTE AS UNNECESSARY IN LIGHT OF RATHER COMPLETE AUTHORIZATION GIVEN IN THE FIRST PARAGRAPH.
5. IN PRESENTING NOTE, YOU SHOULD STRESS FACT THAT DIFFERENCES BETWEEN USG AND GOH RECORDS ON SURPLUS PROPERTY DEBT ARE VERY SMALL. KISSINGER

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# Message Attributes

**Automatic Decaptioning:** X
**Capture Date:** 01 JAN 1994
**Channel Indicators:** n/a
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**Copy:** SINGLE
**Draft Date:** 16 JAN 1976
**Decaption Date:** 01 JAN 1960
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**Disposition Approved on Date:**
**Disposition Authority:** MartinML
**Disposition Case Number:** n/a
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**Disposition Date:** 28 MAY 2004
**Disposition Event:**
**Disposition History:** n/a
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**Film Number:** D760017-0731
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**Subject:** WORLD WAR I DEBT AND JOHNSON ACT
**TAGS:** EFIN, HU, US
**To:** BUDAPEST
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